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ABSTRACT

This background paper provides the basis for evaluation of programs aimed at reforming social welfare programs. It analyzes the effect of current income transfer programs on poor families. Public expenditures for social welfare programs have grown four-fold while at the same time, the percentage of families in poverty has declined by only 30%. This is a result of the types of programs that account for most of the recent growth in the number of poor families and the inadequacies of the measures used to estimate families in poverty. There are three classes of social welfare expenditures; social insurance programs, cash assistance programs, and in-kind programs. In fiscal year 1976, social insurance programs, designed to replace reduced income, accounted for 68% of major government income-transfer payments. Most of the recent rapid growth has been in in-kind transfers, such as food stamps and medicare. Expenditures for in-kind transfers increased sixteen-fold over the last decade, and cash assistance increased four-fold. The effectiveness of transfer programs varies according to family type, race, age, and region of residence. Detailed statistical tables provide information on the assistance programs described. (Author/AM)

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BACKGROUND PAPER NO. 17

Poverty Status of Families Under Alternative Definitions of Income

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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PREFACE

The 95th Congress will be considering legislation to reform social welfare programs. Important criteria for evaluating any new proposal are how it will affect families in poverty and what it costs. This paper provides the basis for such an evaluation by analyzing how the current income transfer programs lift families out of poverty.

This analysis was requested by former Senator Walter Mondale of the Senate Budget Committee in May 1976. Chairman Edmund Muskie and Senator Henry Bellmon of the Senate Budget Committee also expressed interest in the preparation of this study by the Congressional Budget Office.

The report was prepared by John J. Korbel of CBO's Human Resources Division, under the supervision of Stanley Wallack and C. William Fischer. The author wishes to acknowledge the assistance of Brian Davidson, G. William Hoagland, Benjamin Okner, and Robert Reischauer of CBO. The technical support that made this analysis possible was provided by Mathematica Policy Research of Washington, D.C.

The report was edited by Mary Richardson Boo and prepared for publication under the supervision of Johanna Zacharias; Norma Leake typed the several drafts.

Alice M. Rivlin
Director

January 1977

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SUMMARY

During the past decade, public expenditures for social welfare programs have grown four-fold--from $77.2 billion in 1965 to $286.5 billion in 1975. At the same time, according to official poverty statistics, the percentage of families in poverty has declined by only about 30 percent. An apparent paradox, this situation has led some observers to question the efficacy of the current system of public transfers. This dilemma is the result of two factors: the types of programs that account for most of the recent growth; and the inadequacies of the measures used to estimate families in poverty.

Today, federal, state, and local government income-transfer payments accounted for roughly 60 percent of all social welfare expenditures. The three classes of these expenditures are: (1) social insurance programs, such as social security and unemployment insurance; (2) cash assistance programs, such as Aid to Families with Dependent Children and Supplemental Security Income; and (3) in-kind programs, such as food stamps and medicaid. Most of these expenditures are received by the public in general, not just by persons in poverty.

In fiscal year 1976, social insurance programs expenditures, which are designed to replace reduced income, accounted for 68 percent of all social welfare expenditures. Only about a third, however, went to those families who were in the lowest 20 percent (lowest quintile) of the income distribution. Cash assistance accounted for 10 percent of all income-transfer payments and in-kind transfers for 22 percent. Cash assistance and in-kind transfers are generally intended to benefit only the low-income population, and more than 50 percent of these benefits were in fact paid to families in the bottom quintile.

Looking only at those programs targeted primarily on the poor, most of the recent rapid growth has been in the various forms of in-kind transfers, notably food stamps, medicare, and medicaid. Expenditures for in-kind transfers increased sixteen-fold over the last decade, while cash assistance increased four-fold. The growth in in-kind transfers is not reflected in the official poverty statistics because these benefits are not counted as income.

The income concept used to measure poverty in the official statistics is that of the Bureau of the Census. It is basically money income before paying taxes. On this basis, Census estimated that, in calendar year 1975, 13.8 percent of families (including single-person families) were poor. However, if in-kind income is included, taxes are taken out, and the Census data base is adjusted for underreporting of incomes, a very different picture emerges. All of these calculations were made with a statistical model using family survey data. For a number of the transfer programs in the in-kind and cash assistance areas, benefits were estimated and attributed to families according to specific program rules and general characteristics of the recipient populations. Taxes and transfer program benefits were calculated after family incomes had been adjusted for underreporting and nonreporting.

In fiscal year 1976, without any public transfer payments or taxes, approximately 20.2 million families would have been poor--roughly one out of every four families. When public cash transfers are counted--the Census concept of income--the incidence of poverty is more than halved to 9.1 million families (11.4 percent of all families). If in-kind transfers are included and taxes are taken out, 5.4 million families remain in poverty (6.9 percent of all families). 1/

1/ If medicare and medicaid benefits are not counted as income, then an additional 2 million families would be counted among the poor (2.6 percent of all families).

This represents about a 75 percent reduction in the number of families who would be considered poor using the pre-tax/pre-transfer concept. The table below summarizes these results.

FAMILIES[a/] BELOW THE POVERTY LEVEL UNDER ALTERNATIVE INCOME DEFINITIONS: FISCAL YEAR 1976

Families in Poverty	Pre-Tax/ Pre-Transfer Income	Pre-Tax/ Post-Social Insurance Income	Pre-Tax/ Post-Money Transfer Income	Pre-Tax/ Post-In-Kind Transfer Income	Post-Tax/ Post Total Transfer Income
Number in Thousands	20,237	11,179	9,073	5,336	5,445
Percent of all Families	25.5	14.1	11.4	6.7	6.9

SOURCE: Appendix Table A-5.

a/ Families are defined to include unrelated individuals as one-person families.

If income is looked at after taxes and after total transfers, the incidence of poverty among families has fallen by approximately 60 percent since 1965.

The effectiveness of transfer programs in lifting families out of poverty varies considerably according to family type, race, age, and region of residence:

- Families of two or more persons derive relatively greater benefits from these transfer programs than do single-person families.
- While the pre-tax/pre-transfer poverty incidence is larger for nonwhites than whites, the relative impact of public transfer payments in alleviating poverty is about the same for both racial groups.
- Before taxes and transfers, more than one out of every two families headed by an aged person (65 or over) is in poverty. After taxes and transfers, poverty has been virtually eliminated; only 4 percent remain poor.

- Public transfers are relatively more effective in reducing poverty for families residing in the Northeast and North Central regions than for families in the South and West regions.

PART I: ANALYSIS OF POVERTY STATUS

Published statistics reveal an apparent paradox between growth in public expenditures for social welfare programs and their effectiveness in alleviating poverty. In the nation, the number of families or persons in poverty has been used as an indicator of our economic well-being. This recent growth in spending without a commensurate drop in the number of people in poverty has inevitably given rise to the question: Have the programs failed? The answer is no for a number of reasons. The most important are the nature and intent of the programs in the social welfare area and the inadequacies of the measures generally used to compute poverty status.

Recent Growth of Transfer Programs and the Incidence of Poverty

In the last decade there has been a four-fold growth in spending by all levels of government for social welfare programs--from $77.2 billion in fiscal year 1965 to an estimated $286.5 billion by fiscal year 1975. 1/ This represents a relative growth of

1/ This includes transfer payments to individuals through social insurance programs such as social security, government pensions, and unemployment insurance; cash assistance such as Aid to Families with Dependent Children and Supplemental Security Income; and in-kind transfer programs such as food stamps, medicare and medicaid, as well as public expenditures for veterans programs, health, and aid to education. (See Social Security Bulletin, Vol. 39, No.1, January 1976.)

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from 11.7 percent of the gross national product in fiscal year 1965 to 19.9 percent in fiscal year 1975. Today, roughly 60 percent of expenditures for social welfare are in programs that provide cash and in-kind transfer payments to individuals. Not all of the transfer payments are directed at people whose current earned incomes are low.

In fiscal year 1976, it is estimated that total individual income, which includes major government money and in-kind transfer payments, was $1,247 billion (Table 1). Total government transfers to individuals amounted to $183 billion or about 15 percent of all income.

TABLE 1. DISTRIBUTION OF INCOME BY SOURCE: TOTAL DOLLARS IN BILLIONS AND PERCENT, FISCAL YEAR 1976

	Income	
	Amount	Percent
Non-transfer Income	$1,063.4	85.3
Transfer Income a/		
Social Insurance	124.0	9.9 (67.7)
Cash Assistance	18.0	1.4 (9.8)
In-Kind Transfers	41.2	3.3 (22.5)
Total Transfers	183.2	14.7 (100.0)
Total Income	$1,246.6	100.0

SOURCE: Appendix Table A-1.

a/ See Appendix Table A-1 for specific transfers included in each category.

These cash and in-kind transfers may be divided into three broad categories. The first is social insurance programs, such as social security, government pensions, and unemployment insurance, all of which require employee or employer contributions and pay benefits that are wage-related. Social insurance programs paid benefits totaling $124 billion or about 68 percent of major government transfer payments in fiscal year 1976. The second broad category is cash assistance programs, such as Aid to Families with Dependent Children and Supplemental Security Income, which provided $18 billion in benefits, about 10 percent of total transfers. The third category is in-kind forms of assistance, such as food stamps, housing assistance, and medical care, which accounted for $41 billion or the remaining 22 percent of transfers.

According to official poverty statistics, in calendar year 1965, 19.1 percent of all U.S. families (including one-person families) had incomes below the poverty level after counting money transfer payments from public and private sources. By calendar year 1975, the incidence of poor families had declined to an estimated 13.8 percent. Although the number of poor families was roughly the same, about 11 million in both years, the number of poor persons in these families fell by 7 million over the decade from a total of 33 million poor persons in 1965 to 26 million in 1975. It is this limited success in the face of growing expenditures that has caused some people to question the effectiveness of the current transfer system. 2/

2/ Changes in the distribution of non-transfer income accounted for part of the poverty reduction occurring between 1965 and 1975. The percent of families below the poverty level before public transfers declined slightly over the decade, from about 28 percent in 1965 to an estimated 24 percent in 1975.

Several factors help to explain the limited success implied by the official poverty measure. First, the bulk of public expenditures go to families whose incomes before public transfers are above the poverty level. In many of the programs, this is intended. Second, the measured income used to test a family's poverty status does not accurately reflect resources available for current consumption; in-kind transfers are ignored, taxes are not taken out, and families underreport both transfer and non-transfer incomes.

Intent of Social Welfare Programs

Many of the transfer programs, by design, benefit the general population, not just those with low incomes. The objective of social insurance programs is to replace earnings that have been lost as a result of unemployment, old age, sickness, disability, or death. In fiscal year 1976, the poorest 20 percent of families received about one-third of the estimated $124 billion spent by federal, state, and local governments for these programs, while the rest went to families in the higher quintiles (Table 2). Those in the top quintile, families with pre-tax and transfer incomes in excess of $21,700 a year, received roughly 12 percent of total social insurance.

In contrast to social insurance, cash assistance and in-kind transfers are targeted more directly on the low-income population. Often, these programs categorically limit eligibility and income support to specific groups, such as poor families with children and the low-income aged and disabled. In fiscal year 1976, more than 60 percent of the $18 billion in cash assistance benefits went to families in the lowest quintile, and only about 4 percent to families in the top quintile. More than 50 percent of the $41 billion in-kind transfers went to families in the lowest quintile and less than 5 percent to families in the highest quintile.

TABLE 2. DISTRIBUTION OF FEDERAL, STATE, AND LOCAL TAXES AND TRANSFER BENEFITS TO FAMILIES CLASSIFIED BY PRE-TAX/PRE-TRANSFER INCOME QUINTILES: FISCAL YEAR 1976

Quintiles	Social Insurance[a/]	Cash Assistance[a/]	In-Kind Transfers[a/]	Taxes[b/]
Low 20%	31.9	61.7	53.2	0.3
Second 20%	28.4	20.6	26.3	3.1
Third 20%	16.2	9.4	10.5	13.2
Fourth 20%	12.0	5.0	5.4	24.5
High 20%	11.5	3.9	4.4	58.8
TOTAL[c/]	100.0%	100.0%	100.0%	100.0%
Total Dollars in Billions	$124.0	$ 18.0	$ 41.0	$206.1

SOURCE: Appendix Table A-4.

a/ See Appendix Table A-1 for a listing of programs included in each of these categories.

b/ Includes federal personal income and employee payroll taxes and state income taxes.

c/ Components may not add to totals because of rounding.

Looking at programs targeted primarily on the poor, much of the recent rapid growth has been in the in-kind transfer programs, rather than cash assistance. While cash assistance expenditures grew about four-fold, in-kind transfer payments to individuals increased sixteen-fold, from $2.3 billion in fiscal year 1965 to $37.9 billion by fiscal year 1975. This growth is not reflected in official poverty statistics because in-kind benefits are not counted as income.

Official Poverty Definition and Data Base

According to the official poverty definition, a family is judged to be poor if its "welfare ratio"--income divided by the poverty level--is less than one. Contrary to popular belief, there is no single poverty line. Rather, there is a set of poverty thresholds that vary according to family characteristics such as size, sex of head, number of related children, and farm or nonfarm residence. Based on studies of family budgets, which revealed that about one-third of post-tax cash incomes went towards food, the poverty thresholds were originally established at three times the "economy" food budget, a minimally adequate food budget for the very poor. 3/ Today, these thresholds are changed periodically to reflect price inflation and still represent family post-tax cash income levels.

3/ For couples and single persons, the multiplication factors were 3.88 and 5.92, respectively. These larger factors account for the fact that, while food expenditures may be less for these families, other expenditures are not proportionately reduced. In 1969, two modifications were made to the definition of poverty: (1) the original thresholds for nonfarm families were retained for the base year 1963, but annual adjustments in levels are based on changes in the Consumer Price Index, rather than on changes in the cost of the "economy" food budget, and (2) the farm thresholds were raised from 70 to 85 percent of corresponding nonfarm levels. The "economy" food budget was determined by the Department of Agriculture, Agricultural Research Service, and was based on minimal nutritional needs.

The income concept used to determine poverty status for the official statistics is the Bureau of the Census definition, which is basically money income before taxes. It includes non-transfer income, such as wages and salaries, rents, interests, and dividends, as well as government cash transfer payments, such as social security, government pensions, and public assistance. While this is the official definition of income used to measure the number of families in poverty, it does not represent all sources of income available for family consumption expenditures.

The Census definition ignores all forms of in-kind income, both public and private, and taxes are not subtracted. Were government in-kind transfers to be included in the definition of income, fewer families would be counted as poor. 4/ On the other hand, if taxes were excluded from income--as they should be, since they are not available for current consumption expenditures and are not included in the definition of poverty levels--additional families would be counted among the poor. A comprehensive income definition placing the numerator and denominator of the welfare ratio in consistent terms is needed to appropriately evaluate the government's role in alleviating poverty.

The official statistics also contain certain biases which are embodied in the data base. Poverty counts are from the Current Population Survey, a Census survey

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4/ Some people have argued that if in-kind transfers are counted as income, the poverty levels themselves should include in-kind benefits.

of representative U.S. families. Census-surveyed families underreport incomes, and in some cases, do not report at all. 5/ This underreporting, which varies considerably by sources of income, can result in the erroneous identification of some families as poor. On the other hand, the Census counts may understate the number of families in poverty because the CPS does not include families residing in the territories and institutions--populations which are predominantly poor.

Measuring Poverty Under Different Definitions of Income

Using the 1975 Current Population Survey expanded to include the omitted populations noted above, the poverty status of families was estimated under alternative definitions of income. The population and family

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5/ Census estimated that 97 percent of wages are reported on the CPS. Farm income and the various forms of non-wage income, such as dividends and interest, are seriously underreported. It is estimated that they are underreported on the CPS by 51.6 for farm income and 55.8 percent for non-wage income. The variations in reporting cash transfer incomes are as divergent. While almost 90 percent of social security and railroad retirement benefits are accounted for by the CPS, only 75 percent of public assistance payments, and less than 60 percent of other cash transfer payments, such as unemployment insurance and government pensions, are reported. The most serious deficiency for measuring poverty from the Survey is, of course, in the area of in-kind income, where these sources of income are not counted at all. See Appendix Table A-2 for estimates of underreporting by source.

incomes, including public in-kind transfers, were adjusted to fiscal year 1976 levels, and incomes were adjusted both for underreporting and nonreporting. A statistical model was used to make these adjustments. Transfer benefits attributed to individual families were not those actually received but rather were estimated according to specific program rules and general characteristics of the recipient populations. 6/

Table 3 summarizes what happens to the incidence of poverty under different income concepts. Calculated before the receipt of public transfer payments or payment of taxes, an estimated 20.2 million families (including single persons as one-person families) would be in poverty today -- over 25 percent of all families. Three-fourths of these families had pre-tax/pre-transfer incomes that were less than 50 percent of the poverty level. When social insurance is counted, the number of families in poverty is reduced by about 45 percent, to 11.2 million or 14.1 percent of all families. The inclusion of other cash assistance, which produces the Census concept of income, results in further reduction to a level of 9.1 million, or 11.4 percent of all families. 7/ If in-kind transfer payments are counted as income, 5.3 million families remain below the poverty level, or about 6.7 percent of

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6/ See Appendix for a discussion of the estimation procedure and supporting tables.

7/ This estimate is substantially lower than the 13.8 percent counted as poor in calendar year 1975 cited earlier in the text. The reduction from calendar year 1975 to fiscal year 1976 cannot be attributed solely to the slight difference in years. Rather, it is the adjustment for underreporting and nonreporting of incomes that accounts for much of the reduction.

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TABLE 3. FAMILIES[a/] BELOW THE POVERTY LEVEL UNDER ALTERNATIVE INCOME DEFINITIONS: FISCAL YEAR 1976

Families in Poverty	Pre-Tax/ Pre-Transfer Income	Pre-Tax/ Post-Social Insurance Income	Pre-Tax/ Post-Money Transfer Income	Pre-Tax/ Post-In-Kind Transfer Income		Post-Tax/ Post-Total Transfer Income
				I[b/]	II	
Number in Thousands	20,237	11,179	9,073	7,406	5,336	5,445
Percent of all Families	25.5	14.1	11.4	9.3	6.7	6.9

SOURCE: Appendix Table A-5.

a/ Families are defined to include unrelated individuals as one-person families.

b/ Excludes medicare and medicaid benefits.

TABLE 4. FAMILIES BY TYPE BELOW THE POVERTY LEVEL UNDER ALTERNATIVE INCOME DEFINITIONS: FISCAL YEAR 1976

Families in Poverty	Pre-Tax/ Pre-Transfer Income	Pre-Tax/ Post-Social Insurance Income	Pre-Tax/ Post-Money Transfer Income	Pre-Tax/ Post-In-Kind Transfer Income	Post-Tax/ Post-Total Transfer Income
A. Single-Person Families:					
Number in Thousands	9,932	5,582	4,752	3,076	3,142
Percent of Single-Person Families	46.1	25.9	22.0	14.3	14.6
B. Multiple-Person Families:					
Number in Thousands	10,305	5,597	4,321	2,260	2,303
Percent of Multiple-Person Families	17.8	9.7	7.5	3.9	4.0

SOURCE: Appendix Table A-6.

all families. If medicare and medicaid benefits are not counted as income, an additional 2 million families would be counted among the poor (2.6 percent of all families). 8/ However, when taxes are subtracted from income -- primarily payroll taxes, which account for most of the tax burden on low-income families -- some families move back into poverty, raising the post-tax/post-transfer poverty count slightly to 5.4 million, or approximately 6.9 percent of all families. This represents about a 75 percent reduction in the incidence of poverty from its pre-tax/pre-transfer level.

If income is examined after taxes and after transfers, there has been marked progress in reducing the incidence of poverty among families. Since 1965 the percent of families in poverty has been reduced by roughly 60 percent. Using this concept, in contrast to the more modest reduction -- about 30 percent -- when the Census income concept is employed. 9/

8/ Estimated benefits received are counted as income and it is assumed that recipients value the in-kind benefits at their full cost to the government. If medicare and medicaid are not counted as income, then the addition of the remaining in-kind benefits, such as food stamps and housing assistance, reduce the poverty incidence among families from 11.4 to 9.3 percent rather than to 6.7 percent. For further discussion of the conceptual problems associated with valuing in-kind benefits, see Appendix.

9/ According to Census, and as discussed earlier, 19.1 percent of all families were in poverty in calendar year 1965. If this percentage were adjusted downward to reflect the underreporting of incomes at a rate equal to that found between calendar year 1975 and fiscal year 1976 (see footnote 7/), perhaps only 15.8 percent of all families were poor in calendar year 1965. If the in-kind transfers were included in the calculation of the base, fewer families would have been found to be poor in 1965, and the reduction would be somewhat lower than the 60 percent reported in the text. However, since in-kind transfers in 1965 were only 3 percent of all social welfare expenditures, the adjustment would be slight.

Impact on Target Populations

The effectiveness of cash and in-kind transfer programs in moving families out of poverty varies significantly according to family type, race, age, and region of residence.

Family Type. More than a quarter of all families are single persons, most of whom are either aged or young. Of these, about 46 percent are poor before taxes and government transfers, and over 80 percent of these poor individuals have incomes that are less than half the poverty level (Table 4). The incidence of pre-tax/pre-transfer poverty for other families (those with two or more persons) is less than half that for single persons -- about 18 percent. The inclusion of social insurance as income has relatively identical impacts for both these family types, resulting in a 44 percent reduction in poverty for single persons and 46 percent for other families. Other cash transfers, on the other hand, are targeted more effectively on multiple-person families, in which the poverty count is reduced by another 12 percent and only 8 percent for single persons. Overall, in moving from a pre-tax/pre-transfer income to a post-tax/post-transfer income, multiple-person families derive relatively greater benefits from the transfer programs considered here than do single persons.

Race of Family Head. About 12 percent of all families have a family head who is nonwhite (Table 5). Although the pre-tax/pre-transfer poverty incidence is greater for nonwhites (42 percent) than for whites (23 percent), the relative effect of public transfer payments in alleviating poverty is about the same for both racial groups. The post-tax/post-transfer income distribution for whites and nonwhites result in a 6 percent and 13 percent incidence in poverty, respectively. Poor whites benefit more from the social insurance programs because of their higher earnings records, while cash assistance and in-kind transfers result in a relatively larger reduction in poverty among nonwhites.

TABLE 5. FAMILIES BY RACE BELOW THE POVERTY LEVEL UNDER ALTERNATIVE INCOME DEFINITIONS: FISCAL YEAR 1976

Families in Poverty	Pre-Tax/ Pre-Transfer Income	Pre-Tax/ Post-Social Insurance Income	Pre-Tax/ Post-Money Transfer Income	Pre-Tax/ Post-In-Kind Transfer Income	Post-Tax/ Post-Total Transfer Income
A. White					
Number in Thousands	16,318	8,310	6,759	4,125	4,208
Percent of White	23.3	11.9	9.7	5.9	6.0
B. Nonwhite					
Number in Thousands	3,919	2,869	2,315	1,210	1,237
Percent of Nonwhite	41.8	30.6	24.7	12.9	13.2

SOURCE: Appendix Table A-7.

Age of Family Head. The current transfer system benefits families headed by an aged person (65 or over) more than families headed by a younger person. About 16 million families (20 percent of all families) have a head who is 65 or over; more than one out of every two of these families is in poverty before taxes and transfers (Table 6). For the rest of the families, the pre-tax/pre-transfer poverty is less than 18 percent. After taxes and transfers (including in-kind), however, poverty among the aged is virtually eliminated; only about 4 percent remain poor. Social insurance, which is dominated by social security, lifts about 70 percent of the aged poor out of poverty. As expected, the impact of social insurance on those under 65 is modest by comparison: 25 percent are moved out of poverty by the receipt of social insurance. The inclusion of cash assistance and in-kind transfers -- in-kind being more important for the aged, especially food stamps, medicare, and medicaid -- accounts for the rest of the dramatic poverty reduction among the aged.

TABLE 6. FAMILIES BY AGE BELOW THE POVERTY LEVEL UNDER ALTERNATIVE INCOME DEFINITIONS: FISCAL YEAR 1976

Families in Poverty	Pre-Tax/ Pre-Transfer Income	Pre-Tax/ Post-Social Insurance Income	Pre-Tax/ Post-Money Transfer Income	Pre-Tax/ Post-In-Kind Transfer Income	Post-Tax/ Post-Total Transfer Income
A. Under 65					
Number in Thousands	10,940	8,202	6,965	4,691	4,790
Percent of Under 65	17.3	13.0	11.0	7.3	7.6
B. 65 and Over					
Number in Thousands	9,297	2,977	2,107	646	654
Percent of 65 and Over	57.7	18.5	13.1	4.0	4.1

SOURCE: Appendix Table A-8.

Region. Under most definitions of income, relatively more families are poor in the South and West regions than in the Northeast and North Central regions (Table 7). 10/ For example, based on pre-tax/pre-transfer income, about 29 percent of families in the South are poor, while 22 percent of families in the North Central region are poor.

10/ The use of national poverty thresholds to count families in poverty by region of residence may exaggerate the differences among regions if there are regional cost-of-living differentials. For example, if the cost-of-living is less in the South and West regions, as some people may contend, the estimates in this paper overstate the poverty incidence in these regions and understate the number of poor families residing in the Northeast and North Central regions.

TABLE 7. FAMILIES BY REGION BELOW THE POVERTY LEVEL UNDER ALTERNATIVE INCOME DEFINITIONS: FISCAL YEAR 1976

Families in Poverty	Pre-Tax/ Pre-Transfer Income	Pre-Tax/ Post-Social Insurance Income	Pre-Tax/ Post-Money Transfer Income	Pre-Tax/ Post-In-Kind Transfer Income	Post-Tax/ Post-Total Transfer Income
A. South Region					
Number in Thousands	7,376	4,432	3,911	2,409	2,466
Percent of South	28.9	17.4	15.3	9.4	9.7
B. West Region					
Number in Thousands	3,714	2,094	1,580	1,037	1,043
Percent of West	24.8	14.0	10.6	6.9	7.0
C Northeast Region					
Number in Thousands	4,571	2,309	1,643	891	907
Percent of Northeast	25.3	12.8	9.1	4.9	5.0
D. North Central Region					
Number in Thousands	4,573	2,339	1,860	999	1,018
Percent of North Central	21.8	11.2	8.9	4.8	4.9

SOURCE: Appendix Table A-9.

The effectiveness of public transfers in reducing poverty is relatively greater for families residing in the Northeast and North Central regions than in the South and West regions. Almost 50 percent of the poor families in the North Central region are moved out of poverty through social insurance, compared to roughly 40 percent in the South. This disparity reflects not only the types of programs and families residing in the

different regions, but also the differences in the relative wage structures which affect the benefits in wage-related programs such as social security and unemployment insurance.

The post-tax/post-transfer poverty counts do not improve the status of the South compared to the other regions. In fact, the differential is widened. Before taxes and transfers, the incidence of poverty is roughly 50 percent higher in the South than in the North Central region. After taxes and transfers, although there is an absolute reduction in poverty in both regions, the incidence of poverty in the South (9.7 percent) increases to almost twice that of the North Central region (4.9 percent).

APPENDIX

PART II: APPENDIX — ESTIMATING THE POVERTY POPULATION 1/

In order to calculate the number of families in poverty under alternative definitions of income, it is necessary to develop a consistent and comprehensive data base. The March 1975 Current Population Survey (CPS) was adjusted to reflect changes in the economic and demographic characteristics of the population between the survey year (calendar year 1974) and the projection year (fiscal year 1976). Various sources of money income, both transfer and nontransfer, were adjusted for underreporting and nonreporting. In addition, major sources of income not surveyed in the original CPS, that is, government in-kind transfers, were estimated and allocated to families in the CPS.

The 1975 CPS consists of approximately 50 thousand households and 150 thousand persons selected to represent the total noninstitutionalized population of the United States, excluding U.S. territories. In order to remain consistent with budget totals, this data base was expanded by using the 1970 decennial census to include families representative of the institutionalized population and those residing in Puerto Rico (the bulk of the population in U.S. territories).

1/ For a description of the technical procedures, see Mathematica Policy Research Analysis of Current Income Maintenance Programs and Budget Alternatives, Fiscal Years 1976, 1978, and 1982: Technical Documentation and Basic Output (forthcoming).

Detailed information relating to the economic and demographic composition of the population is available for the individual families sampled in the CPS. This survey is adjusted to represent families in fiscal year 1976. The adjustment employs Census Bureau estimates of the U.S. population by age, race, and sex as well as Census projections of households by type and size.

The survey data identify for each family the types and amounts of each major cash transfer program shown in Table A-1. As noted above, however, these data are not accurate because of underreporting and nonreporting and must be corrected to provide a consistent base for evaluating poverty status. The amount of underreporting and nonreporting varies among the different sources of income. In the past, the Bureau of the Census has estimated the amount of underreporting on the CPS for various sources of income (see Table A-1 following the text of this appendix).

Independent sources for total transfer and non-transfer incomes were used in correcting the survey data for underreporting and, in the case of transfer programs, for nonreporting as well. 2/ As a result, the adjusted survey data base reflects aggregate levels for all major sources of income and recipient levels for the major income transfer programs. Table A-2 shows the estimated levels of non-transfer income and of the number of recipient units and benefits in each of the government transfer programs after these adjustments.

For all cash transfer benefits, with the exception of AFDC and SSI, the amounts reported on the survey were adjusted to levels reflected by independent sources. For AFDC and SSI, the reported data were disregarded. Instead, caseloads and costs for AFDC and SSI were estimated by using a statistical model. This model applied

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2/ Independent sources include both budget data and aggregate levels reflected in the national income and product accounts.

the accounting rules of the respective programs to families in the CPS, first determining whether or not the families were eligible for the program and, if they were, calculating their benefits. Since only a portion of those eligible for the program actually participate, a subset of these eligible families was picked to be actual recipients. The number of recipients and amount of benefits in the survey were made equivalent to the numbers estimated from independent sources. Since benefits for each family are calculated according to the accounting rules of the program, they are not necessarily the exact amount received by that family, but are rather the amount the family would have received if there were no administrative discretion exercised or error in applying program rules.

The statistical model also was used to calculate and distribute in-kind transfers to families in the survey. In the case of the food stamp program, the program accounting rules were applied to CPS families and the same procedure followed as for the cash assistance. Benefits from the rest of the programs -- child nutrition, housing assistance, medicare, and medicaid -- were distributed to recipients according to broad economic and demographic characteristics of the families categorically eligible for the particular program.

Since the poverty definition includes normal expenditures for food, housing, and health, the income definition used to measure poverty status must include the value of in-kind transfers designated to meet these consumption needs. The question is at what value? In this analysis, the full government cost was used.

For medicare and medicaid, the costs were distributed among recipients according to their utilization rates. An alternative would have been to impute an insurance value or premium to all those eligible for assistance. Conceptually, this second alternative seems preferable; it was not used because of the difficulties in calculating the actuarial value of the premium for the different state medicaid programs.

Either the benefit-received or calculated-premium approach can be criticized. In extreme cases, the benefit-received approach could count thousands of dollars in benefits as income available for alternative use. Since the current poverty levels are based on normal health expenditures, this approach implies that a family can be made non-poor by virtue of large health costs. The criticism is that this is not a fair measure of income unless the poverty levels are also adjusted to reflect a higher level of health care need.

If the calculated-premium approach were used, the premium could be calculated by spreading benefits over the entire eligible population, but the premium would be lower than that of any individual private insurance plan providing the same health benefits. On the other hand, if the premiums were calculated for groups with different risks (for example the aged), the calculated premium would be much higher than the high-risk groups would or could pay for health insurance. Under either of these methods of calculating premium cost, the calculated premium would not be a fair measure of income available for alternative uses.

All the sources of income noted above have been adjusted and assigned to each of the appropriate families in the projected CPS data base. With transfer benefits imputed to individual families, it is possible to analyze the aggregate and distributional impacts of the different programs for various cross sections of the population. This consistent data base permits an evaluation of the effectiveness of these programs in moving families out of poverty as well as an analysis of the distributions of families above and below the poverty level.

Table A-3 shows the poverty thresholds used to test family poverty status. Table A-4 shows the distribution of families classified by pre-tax/pre-transfer income quintiles according to different income concepts. Tables A-5 through A-9 contain information regarding the distribution of families below and above the poverty level under different definitions of income for various demographic characteristics of families.

TABLE A-1. A COMPARISON OF CPS AGGREGATE MONEY INCOME AMOUNTS WITH AGGREGATE MONEY INCOME AMOUNTS DERIVED FROM INDEPENDENT SOURCES ADJUSTED TO CPS INCOME CONCEPTS, BY TYPE OF INCOME: AGGREGATE MONEY INCOME IN 1973, IN BILLIONS OF DOLLARS

	Independent Source	Aggregate Income CPS	CPS Aggregate as a Percent of Independent Source
Total Income	$ 957.1	$ 854.1	89.2%
Wages and Salaries	676.3	656.7	97.1
Nonfarm Self-Employment Income	56.0	55.5	99.1
Farm Self-Employment	32.3	15.6	48.3
Dividends, Interest, Net Rental Income, Income and Estates, Trusts, and Net Royalties	83.0	36.7	44.2
Social Security and Railroad Retirement	50.0	44.7	89.4
Unemployment Insurance, Workers Compensation, Government Pensions, Veterans' Payments	34.2	19.8	57.9
Public Assistance	11.0	8.2	74.5

SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 97, "Money Income in 1973 of Families and Persons in the United States," U.S. Government Printing Office, Washington, D.C., 1975, p. 180, Table A-8.

TABLE A-2. SUMMARY OF TOTAL BENEFICIARIES, TOTAL NON-TRANSFER INCOME AND TRANSFER INCOME BY SOURCE: FISCAL YEAR 1976[a/]

	Beneficiary Units[b/] During the Year (Numbers in Thousands)	Simulated Benefits[c/] (Dollars in Millions)
Non-Transfer Income	79,463	$1,063,438
Transfer Income		
Cash Social Insurance		
Social Security and Railroad Retirement	27,751	73,662
Government Pensions	4,379	22,720
Unemployment Insurance	16,266	18,518
Workers Compensation	2,554	3,800
Veterans' Compensation	2,591	5,259
Cash Assistance[d/]		
Veterans' Pensions	2,156	2,687
Supplemental Security Income	4,368	6,029
Aid to Families with Dependent Children	4,103	9,268
In-Kind Transfers		
Food Stamps	7,733	4,823
Child Nutrition	26,088	2,026
Housing Assistance	2,046	2,264
Medicare		
Hospital Insurance	5,701	12,271
Supplemental Medical Insurance	13,302	4,673
Medicaid	23,514	15,157
TOTAL	-- [b/]	1,246,595

SOURCE: Prepared by the Congressional Budget Office and Mathematica Policy Research; will appear in Mathematica Policy Research, Analysis of Current Income Maintenance Programs and Budget Alternatives, Fiscal Years 1976, 1978, and 1982: Technical Documentation and Basic Output (forthcoming).

a/ Simulated benefits may not be exactly the same as figures shown in Appendix Tables 5 through 9. Small differences result from computer truncation of simulated benefits.

b/ Beneficiary units refer to families, except for medicaid and medicare, in which beneficiary units are actual recipients.

c/ The simulated benefits do not correspond exactly to control totals on an item-by-item basis. The two totals that were off by the greatest amount were offsetting, so that overall totals were nearly identical. It is unlikely that correction for this simulation error would significantly alter the basic conclusions of this study.

d/ Does not include state general assistance.

e/ Cannot be summed due to multiple program entitlements.

TABLE A-3. WEIGHTED[a/] AVERAGE POVERTY THRESHOLDS BY FAMILY SIZE AND SEX OF HEAD, BY FARM OR NONFARM RESIDENCE: FISCAL YEAR 1976

Size of Family	Nonfarm		Farm	
	Male Head	Female Head	Male Head	Female Head
1 Person, under 65 years	$2,992	$2,769	$2,543	$2,353
1 Person, 65 years and over	2,690	2,654	2,285	2,255
2 Persons, head under 65 years	3,750	3,640	3,182	3,025
2 Persons, head 65 years & over	3,362	3,338	2,859	2,857
3 Persons	4,452	4,306	3,766	3,589
4 Persons	5,674	5,644	4,844	4,760
5 Persons	6,707	6,635	5,726	5,770
6 Persons	7,551	7,497	6,425	6,296
7 or more persons	9,339	9,094	7,878	7,886

SOURCE: U.S. Bureau of the Census, Current Population Reports, Series P-60, "Money Income and Poverty Status of Families and Persons in the United States: 1975 and 1974 Revision," (Advance Report), No. 103, U.S. Government Printing Office, Washington, D.C., 1976, p. 33, adjusted to fiscal year 1976 levels.

a/ The average poverty thresholds are weighted by the presence of children. The Census poverty count is based on a more detailed set of poverty levels--124 in all--which explicitly account for the number of children. These levels are periodically adjusted to reflect changes in the Consumer Price Index.

TABLE A-4. DISTRIBUTION OF ALTERNATIVE DEFINITIONS OF INCOME TO FAMILIES CLASSIFIED BY PRE-TAX/PRE-TRANSFER INCOME QUINTILES: FISCAL YEAR 1976

Quintile	Pre-Tax/ Pre-Transfer Income	Social Insurance Added	Cash Transfers Added	In-Kind Transfers Added	Post-Tax/ Post-Transfer Income
			Dollars in Billions		
Low 20%	3.3	42.9	54.0	75.8	75.1
Second 20%	76.3	111.5	115.2	126.0	119.7
Third 20%	173.7	193.8	195.5	199.8	172.6
Fourth 20%	276.1	291.0	291.9	294.1	243.7
High 20%	534.1	548.4	549.1	550.9	429.7
TOTAL[a]	$1,063.4	$1,187.4	$1,205.4	$1,246.4	$1,040.3
Percentage Distribution of Income					
Low 20%	.3	3.6	4.5	6.1	7.2
Second 20%	7.2	9.4	9.6	10.1	11.5
Third 20%	16.3	16.3	16.2	16.0	16.6
Fourth 20%	26.0	24.5	24.2	23.6	23.4
High 20%	50.2	46.2	45.6	44.2	41.3
TOTAL[a]	100.0	100.0	100.0	100.0	100.0

SOURCE: Mathematica Policy Research, op. cit.

a/ Components may not add to totals because of rounding

TABLE A-5. DISTRIBUTION OF FAMILIES BELOW AND ABOVE POVERTY LEVEL BY VARIOUS DEFINITIONS OF INCOME: FISCAL YEAR 1976

Welfare Ratio[a/]	Pre-Tax/ Pre-Transfer Income	Social Insurance Added	Cash Transfers Added	In-Kind Transfers Added	Post-Tax/ Post-Transfer Income
	Number of Families, in Thousands				
Less Than 0.50	15,161	6,118	3,680	2,534	2,544
0.50-0.74	2,573	2,484	2,065	1,119	1,183
0.75-0.99	2,500	2,577	3,328	1,683	1,718
1.00-1.24	2,511	2,946	3,541	2,827	3,083
1.25-1.49	2,581	3,260	3,646	3,684	4,057
Greater Than 1.49	54,137	62,078	63,203	67,617	66,879
TOTAL[b/]	79,463	79,463	79,463	79,463	79,463
	Percentage Distribution of Families				
Less Than 0.50	19.1	7.7	4.6	3.2	3.2
0.50-0.74	3.2	3.1	2.6	1.4	1.5
0.75-0.99	3.2	3.2	4.2	2.1	2.2
1.00-1.24	3.2	3.7	4.5	3.6	3.9
1.25-1.49	3.3	4.1	4.6	4.6	5.1
Greater Than 1.49	68.1	78.1	79.5	85.1	84.2
TOTAL[b/]	100.0	100.0	100.0	100.0	100.0

SOURCE: Mathematica Policy Research, op. cit.

a/ Income divided by the poverty level.

b/ Components may not add to totals because of rounding.

TABLE A-6. DISTRIBUTION OF FAMILIES BY FAMILY TYPE BELOW AND ABOVE POVERTY LEVEL CLASSIFIED BY VARIOUS DEFINITIONS OF INCOME: FISCAL YEAR 1976

Welfare Ratio[a]	Single-Person Families				
	Pre-Tax/ Pre-Transfer Income	Social Insurance Added	Cash Transfers Added	In-Kind Transfers Added	Post-Tax/ Post-Transfer Income
	Number of Families, in Thousands				
Less Than 0.50	8,004	2,801	2,188	1,633	1,646
0.50-0.74	1,013	1,379	938	639	691
0.75-0.99	915	1,402	1,626	804	805
1.00-1.24	832	1,451	1,647	1,240	1,360
1.25-1.49	773	1,548	1,819	1,385	1,500
Greater Than 1.49	10,026	12,981	13,343	15,860	15,560
TOTAL[b]	21,562	21,562	21,562	21,562	21,562
	Percentage Distribution of Families				
Less Than 0.50	37.1	22.0	10.2	7.6	7.6
0.50-0.74	4.7	6.4	4.4	3.0	3.2
0.75-0.99	4.2	6.5	7.5	3.7	3.7
1.00-1.24	3.9	6.7	7.6	5.8	6.3
1.25-1.49	3.6	7.2	8.4	6.4	7.0
Greater Than 1.49	46.5	60.2	61.9	73.6	72.2
TOTAL[b]	100.0	100.0	100.0	100.0	100.0

TABLE A-6. (CONTINUED)

Welfare Ratio[a]	Multiple-Person Families: Pre-Tax/ Pre-Transfer Income	Social Insurance Added	Cash Transfers Added	In-Kind Transfers Added	Post-Tax/ Post-Transfer Income
	Number of Families, in Thousands				
Less Than 0.50	7,160	3,316	1,492	901	898
0.50-0.74	1,560	1,105	1,127	480	492
0.75-0.99	1,585	1,176	1,702	879	913
1.00-1.24	1,679	1,495	1,894	1,587	1,723
1.25-1.49	1,807	1,711	1,827	2,299	2,557
Greater Than 1.49	44,111	49,098	49,860	51,757	51,319
TOTAL[b]	57,901	57,901	57,901	57,901	57,901
	Percentage Distribution of Families				
Less Than 0.50	12.4	5.7	2.6	1.6	1.6
0.50-0.74	2.7	1.9	2.0	0.8	0.9
0.75-0.99	2.7	2.0	2.9	1.5	1.6
1.00-1.24	2.9	2.6	3.3	2.7	3.0
1.25-1.49	3.1	3.0	3.2	4.0	4.4
Greater Than 1.49	76.2	85.8	86.1	89.4	88.6
TOTAL[b]	100.0	100.0	100.0	100.0	100.0

SOURCE: Mathematica Policy Research, op. cit.

a/ Income divided by the poverty level.

b/ Components may not add to totals because of rounding.

TABLE A-7. DISTRIBUTION OF FAMILIES BY RACE BELOW AND ABOVE POVERTY LEVEL CLASSIFIED BY VARIOUS DEFINITIONS OF INCOME: FISCAL YEAR 1976

Welfare Ratio[a]	Pre-Tax/ Pre-Transfer Income	Social Insurance Added	White Cash Transfers Added	In-Kind Transfers Added	Post-Tax/ Post-Transfer Income
	Number of Families, in Thousands				
Less Than 0.50	12,067	4,344	2,836	2,012	2,020
0.50-0.74	2,161	1,923	1,518	858	915
0.75-0.99	2,090	2,043	2,405	1,255	1,273
1.00-1.24	2,101	2,367	2,759	2,090	2,288
1.25-1.49	2,123	2,644	2,962	2,756	3,061
Greater Than 1.49	49,545	56,765	57,608	61,115	60,530
TOTAL[b]	70,087	70,087	70,087	70,087	70,087
	Percentage Distribution of Families				
Less Than 0.50	17.2	6.2	4.1	2.9	2.9
0.50-0.74	3.1	2.7	2.2	1.2	1.3
0.75-0.99	3.0	2.9	3.4	1.8	1.8
1.00-1.24	3.0	3.4	3.9	3.0	3.3
1.25-1.49	3.0	3.8	4.2	3.9	4.4
Greater Than 1.49	70.7	81.0	82.2	87.2	86.4
TOTAL[b]	100.0	100.0	100.0	100.0	100.0

TABLE A-7. (CONTINUED)

Welfare Ratio[a]	Pre-Tax/ Pre-Transfer Income	Social Insurance Added	Non-white Cash Transfers Added	In-Kind Transfers Added	Post-Tax/ Post-Transfer Income
			Number of Families, in Thousands		
Less Than 0.50	3,096	1,774	844	522	524
0.50-0.74	412	561	547	260	268
0.75-0.99	411	534	924	428	445
1.00-1.24	409	579	783	737	795
1.25-1.49	458	615	684	928	996
Greater Than 1.49	4,592	5,313	5,595	6,501	6,349
TOTAL[b]	9,376	9,376	9,376	9,376	9,376
			Percentage Distribution of Families		
Less Than 0.50	33.0	18.9	9.0	5.6	5.6
0.50-0.74	4.4	6.0	5.8	2.8	2.9
0.75-0.99	4.4	5.7	9.9	4.6	4.8
1.00-1.24	4.4	6.2	8.4	7.9	8.5
1.25-1.49	4.9	6.6	7.3	9.9	10.6
Greater Than 1.49	49.0	56.7	59.7	69.3	67.7
TOTAL[b]	100.0	100.0	100.0	100.0	100.0

SOURCE: Mathematica Policy Research, op. cit.

a/ Income divided by the poverty level.

b/ Components may not add to totals because of rounding.

TABLE A-8. DISTRIBUTION OF FAMILIES BY AGE BELOW AND ABOVE POVERTY LEVEL CLASSIFIED BY VARIOUS DEFINITIONS OF INCOME: FISCAL YEAR 1976

Welare Ratio[a]	Pre-Tax/ Transfer Income	Social Insurance Added	Under 65 Cash Transfers Added	In-Kind Transfers Added	Post-Tax/ Post-Transfer Income
	Number of Families, in Thousands				
Less Than 0.50	7,703	5,300	3,215	2,359	2,365
0.50-0.74	1,608	1,430	1,577	949	1,012
0.75-0.99	1,629	1,472	2,173	1,383	1,413
1.00-1.24	1,794	1,761	2,209	2,007	2,261
1.25-1.49	2,008	2,003	2,142	2,755	3,131
Greater Than 1.49	48,612	51,385	52,036	53,899	53,170
TOTAL[b]	63,352	63,352	63,352	63,352	63,352
	Percentage Distribution of Families				
Less Than 0.50	12.2	8.4	5.1	3.7	3.7
0.50-0.74	2.5	2.3	2.5	1.5	1.6
0.75-0.99	2.6	2.3	3.4	2.2	2.2
1.00-1.24	2.8	2.8	3.5	3.2	3.6
1.25-1.49	3.2	3.2	3.4	4.4	4.9
Greater Than 1.49	76.7	81.1	82.1	85.1	83.9
TOTAL[b]	100.0	100.0	100.0	100.0	100.0

TABLE A-8. (CONTINUED)

Welfare Ratio[a/]	Pre-Tax/ Transfer Income	Social Insurance Added	65 and Over Cash Transfers Added	In-Kind Transfers Added	Post-Tax/ Post-Transfer Income
	Number of Families, in Thousands				
Less Than 0.50	7,461	817	465	176	178
0.50-0.74	965	1,054	487	170	171
0.75-0.99	871	1,106	1,155	300	305
1.00-1.24	717	1,185	1,332	820	822
1.25-1.49	572	1,257	1,504	929	926
Greater Than 1.49	5,525	10,693	11,167	13,178	13,709
TOTAL[b/]	16,112	16,112	16,112	16,112	16,112
	Percentage Distribution of Families				
Less Than 0.50	46.3	5.1	2.9	1.1	1.1
0.50-0.74	6.0	6.5	3.0	1.1	1.1
0.75-0.99	5.4	6.9	7.2	1.9	1.9
1.00-1.24	4.5	7.4	8.3	5.1	5.1
1.25-1.49	3.6	7.8	9.3	5.8	5.8
Greater Than 1.49	34.3	66.4	69.3	85.1	85.1
TOTAL[b/]	100.0	100.0	100.0	100.0	100.0

SOURCE: Mathematica Policy Research, op. cit.

a/ Income divided by the poverty level.

b/ Components may not add to totals because of rounding.

TABLE A-9. DISTRIBUTION OF FAMILIES BY REGION, BELOW AND ABOVE POVERTY LEVEL, CLASSIFIED BY VARIOUS DEFINITIONS OF INCOME: FISCAL YEAR 1976

Welfare Ratio[a]	Pre-Tax/ Pre-Transfer Income	Social Insurance Added	South Cash Transfers Added	In-Kind Transfers Added	Post-Tax/ Post-Transfer Income
	Number of Families, in Thousands				
Less Than 0.50	5,484	2,278	1,593	1,041	1,043
0.50-0.74	972	1,102	961	518	530
0.75-0.99	920	1,052	1,357	850	893
1.00-1.24	946	1,154	1,290	1,376	1,475
1.25-1.49	991	1,230	1,304	1,429	1,601
Greater Than 1.49	16,227	18,725	19,035	20,327	19,998
TOTAL[b]	25,540	25,540	25,540	25,540	25,540
	Percentage Distribution of Families				
Less Than 0.50	21.5	8.9	6.2	3.1	3.1
0.50-0.74	3.8	4.3	3.8	2.1	2.1
0.75-0.99	3.6	4.1	5.3	3.4	3.5
1.00-1.24	3.7	4.5	5.1	5.4	5.8
1.25-1.49	3.9	4.8	5.1	5.6	6.3
Greater Than 1.49	63.5	73.3	74.5	79.6	78.3
Total[b]	100.0	100.0	100.0	100.0	100.0

TABLE A-9. (CONTINUED)

Welfare Ratio[a]	Pre-Tax/ Pre-Transfer Income	Social Insurance Added	West Cash Transfers Added	In-Kind Transfers Added	Post-Tax/ Post-Transfer Income
	Number of Families, in Thousands				
Less Than 0.50	2,704	1,141	641	504	508
0.50-0.74	494	465	353	208	232
0.75-0.99	516	493	586	325	303
1.00-1.24	437	517	550	464	538
1.25-1.49	564	648	830	663	717
Greater Than 1.49	10,237	11,688	11,992	12,788	12,654
TOTAL[b]	14,952	14,952	14,952	14,952	14,952
	Percentage Distribution of Families				
Less Than 0.50	18.1	7.6	4.3	3.4	3.4
0.50-0.74	3.3	3.1	2.4	1.4	1.6
0.75-0.99	3.5	3.3	3.9	2.2	2.0
1.00-1.24	2.9	3.5	3.7	3.1	3.6
1.25-1.49	3.8	4.3	5.6	4.4	4.8
Greater Than 1.49	68.5	78.2	80.2	85.5	84.6
TOTAL[b]	100.0	100.0	100.0	100.0	100.0

TABLE A-9. (CONTINUED)

Welfare Ratio[a]	Pre-Tax/ Pre-Transfer Income	Social Insurance Added	Northeast Cash Transfers Added	In-Kind Transfers Added	Post-Tax/ Post-Transfer Income
	Number of Families, in Thousands				
Less than 0.50	3,527	1,439	730	496	498
0.50-0.74	542	407	312	190	200
0.75-0.99	502	463	681	205	219
1.00-1.24	452	578	806	420	450
1.25-1.49	500	704	774	744	815
Greater Than 1.49	12,514	14,447	14,737	15,984	15,857
TOTAL[b]	18,039	18,039	18,039	18,039	18,039
	Percentage Distribution of Families				
Less Than 0.50	19.6	8.0	4.1	2.8	2.8
0.50-0.74	3.0	2.3	1.7	1.1	1.1
0.75-0.99	2.8	2.6	3.8	1.1	1.2
1.00-1.24	2.5	3.2	4.5	2.3	2.5
1.25-1.49	2.8	3.9	4.3	4.1	4.5
Greater Than 1.49	69.4	80.1	81.7	88.6	87.9
TOTAL[b]	100.0	100.0	100.0	100.0	100.0

TABLE A-9. (CONTINUED)

Welfare Ratio[a]	Pre-Tax/ Pre-Transfer Income	Social Insurance Added	North Central Cash Transfers Added	In-Kind Transfers Added	Post-Tax/ Post-Transfer Income
	Number of Families, in Thousands				
Less Than 0.50	3,445	1,260	716	493	495
0.50-0.74	564	510	439	203	220
0.75-0.99	562	569	705	303	303
1.00-1.24	675	698	895	567	621
1.25-1.49	526	677	738	848	924
Greater Than 1.49	15,160	17,218	17,439	18,518	18,369
TOTAL[b]	20,932	20,932	20,932	20,932	20,932
	Percentage Distribution of Families				
Less Than 0.50	16.2	6.0	3.4	2.4	2 4
0.50-0.74	2.7	2.4	2.1	1.0	1.1
0.75-0.99	2.7	2.7	3.4	[illegible]	.5
1.00-1.24	3.2	3.3	4.3	2.7	3.0
1.25-1.49	2.5	3.2	3.5	4.1	4.4
Greater Than 1.49	72.4	82.3	83.3	88.5	87.8
TOTAL[b]	100.0	100.0	100.0	100.0	100.0

SOURCE: Mathematica Policy Research, op. cit.

a/ Income divided by the poverty level.

b/ Components may not add to totals because of rounding.

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ERRATA SHEET for CBO Background Paper No. 17, Poverty Status of Families Under Alternative Definitions of Income, January 13, 1977

There is an error in the third paragraph on page v. The first sentence should read:

> In fiscal year 1976, social insurance programs expenditures, which are designed to replace reduced income, accounted for 68 percent of major government income-transfer payments.

There are also several errors in references:

> Table 1, Source and a/ should refer to Appendix Table A-2.
>
> Table 2, a/ should refer to Appendix Table A-2.
>
> Footnotes 5/ should refer to Appendix Table A-1.
>
> Table A-2 in the appendix, the table note b/ in the first column should be e/.